

INFORMATION REPORT

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SUPPLEMENT TO REPORT NO.

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1. Machinery for the Moravská Ostrava Rolling Mills has been ordered from the United States, but has not yet been delivered. An account of 9 million dollars has been opened in the United States for the payment for the rolling mill equipment. At the beginning of September 1948, Dr. Pstrov, a director of the OMNIPOL Trading Company left for the United States (via London) to try to hasten the delivery of the rolling mill equipment and to place possible orders for other machinery, including mining equipment.
2. There is apparently a shortage of heavy machinery in Czechoslovakia, and no new sources of supply are available (unless the above-mentioned Dr. Pstrov is successful in his mission). An attempt is now being made to reach a trade agreement with Switzerland in order to obtain increased amounts of machinery and ball bearings. Included in the proposed trade agreement is an order for the import of 5 million dollars worth of ball bearings. However, this amount is too great for Switzerland to assume. On the other hand, the Swiss are not likely to permit the inclusion of Swiss purchases of American ball bearings in this order.
3. The Czechoslovak trade delegation in Bern is negotiating for Swiss machinery (mining machinery and machine tools) in twice the amount provided for in previous trade agreements. The Swiss, however, are unwilling to agree to furnishing machinery in such quantity, since it would be out of proportion with previous deliveries and with deliveries of non-essential Swiss products.
4. These increased Czech orders for machinery are not believed to be camouflaged orders for the Soviet Union. From all indications, the machinery and bearings asked for are those which are very much needed in Czechoslovak economy. Furthermore the demand has increased since last year because the United States is not furnishing these products. It should be noted here that Rumania, Hungary, and Poland are also pressing Switzerland for increased deliveries of machinery and ball bearings, possibly because such deliveries are no longer received from the United States, or because some of these products may be diverted to Russia.
5. Deliveries of Czechoslovak finished products to Russia have increased during the last months to a monthly amount worth about 500 million Kcs. The shipping of all available goods to the East has cut Czechoslovak exports to the West, thus making it difficult for Czechoslovakia to obtain hard currency and to make trade pacts. Efforts are being made to cancel Czechoslovakia's debt to Russia of over 2 billion Kcs. (caused mainly by the cost of grain deliveries during the winter of 1947-1948).

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6. Czechoslovakia is now delivering certain raw materials to
Russia, including machinery for sale. This machinery is
believed, in Prague industrial circles, that it
came from Eastern Germany, since the instructions and catalog
of Czechoslovak industrialists are reluctant to accept this
machinery as tested and its origin (as possible war-time produc-
tion) is not known.

7. Czechoslovak deliveries of oil piping to Russia are
possibly amounting to 45 percent of Czechoslovak

8. Apparently Belgium is Czechoslovakia's main source
of negotiations with Belgium are not proceeding accord-
ingly. Czechoslovakia is also in need of lead. It was recently
reported that firms in Czechoslovakia have been instructed to pro-
duce lead at a price.

9. Czechoslovak trade with Yugoslavia has almost come to a stand-
still entirely due to the conflict between the Cominform and Yugoslavia.
About two months before this occurred, deliveries to Yugoslavia were
halted. Yugoslavia was unable to make valuable enough shipments in re-
turn to be of any use. After Tito's break with the Cominform, Czechoslovakia
brought protests to the Soviet Union and the Cominform. It was
possible to stop production of some heavy machinery which was
in an advanced stage of manufacture. Therefore, some machine delivery
was made to Yugoslavia.

10. Whether or not Czechoslovakia is delivering arms to Ethiopia
is not known. These deliveries are most likely ultimately destined for Palestine.

11. Almost all Czechoslovak gold and foreign currency reserves are
held in Switzerland. The following three persons, at present abroad,
are in charge of these funds: Directors Chmela and Blažej, now on a three-month
trip to South America; and Director Kosut, with the trade delegation
to the United States. The three are directors of the National Bank in Czechoslovakia
and are members of the Communist Party. Kosut (and possibly Chmela) is not a Communist by conviction.
It is reported that Chmela and Blažej arranged to take the prolonged trip to South
America on the assumption that war would break out this fall and they would then be
able to place the funds of the National Bank at the disposal of the Czechoslovak
Liberation Movement abroad.

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